

**BURGIN INDEPENDENT
SCHOOL DISTRICT
AUDIT REPORT
JUNE 30, 2017**

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October 27, 2017

INDEPENDENT AUDITOR'S REPORT

Members of the Board of Education
Burgin Independent School District
140 Burgin-Danville Road
Burgin, KY 40310

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Burgin Independent School District as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise Burgin Independent School District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, *Appendix I to the Independent Auditor's Contract – Audit Extension Request*, *Appendix II to the Independent Auditor's Contract – Instructions for Submission of the Audit Contract*, *Audit Acceptance Statement*, *AFR and Balance Sheet*, *Statement of Certification*, and *Audit Report*. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Burgin Independent School District as of June 30, 2017, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, and schedules of the district's proportionate share of net pension liabilities on Pages 4 through 10 and 42 through 47 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Burgin Independent School District's basic financial statements. The combining and individual nonmajor fund financial statements, and the statement of receipts, disbursements and fund balance – High School Activity Fund are presented for the purpose of additional analysis and are not a required part of the financial statements.

The combining and individual nonmajor fund financial statements, the statement of receipts, disbursements and fund balance – High School Activity Fund are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements, statement of receipts, disbursements and fund balance – High School Activity Fund are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued a report dated October 27, 2017, on our consideration of Burgin Independent School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Burgin Independent School District's internal control over financial reporting and compliance.

Sincerely,

White and Company, P.S.C.

Certified Public Accountants

BURGIN INDEPENDENT SCHOOL DISTRICT
Management's Discussion and Analysis (MD&A)
Year Ended June 30, 2017

As management of the Burgin Independent School District (District), we offer readers of the District's financial statements this narrative overview and analysis of the financial activities of the District for the fiscal year ended June 30, 2017. We encourage readers to consider the information presented here in conjunction with additional information found within the body of the financial statements.

FINANCIAL HIGHLIGHTS

- The beginning General Fund balance was \$722,545. The ending fund balance was \$805,340. General fund revenues decreased \$15,666 and expenditures increased \$180,682 as compared with the prior year. The General Fund transferred \$18,725 to the Special Revenue Fund for the technology grant match, \$1,843 to the Special Revenue Fund for the dual credit scholarship match, and \$27,103 to the Debt Service Fund for debt service payments.
- The District had \$5,450,703 in revenue and \$5,212,949 in expenses.
- The District, through routine debt service, reduced bond debt through the Debt Service Fund. Total bond and lease principal payments for fiscal year 2017 were \$243,805 and the District paid an additional \$132,880 in interest payments.
- The District's total net position increased \$237,754 to \$52,266. Current assets decreased \$64,052, non-current assets increased \$101,189, and total liabilities decreased \$85,938.

OVERVIEW OF FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements comprise three components: 1) district-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

District-wide financial statements - The district-wide financial statements are designed to provide readers with a broad overview of the District's finances, in a manner similar to a private-sector business.

The statement of net position presents information on all of the District's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the district is improving or deteriorating.

The statement of activities presents information showing how the District's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

The district-wide financial statements outline functions of the District that are principally supported by property taxes and intergovernmental revenues (governmental activities). The governmental activities of the District include instruction, support services, operation and maintenance of plant, student transportation and operation of non-instructional services. Fixed assets and related debt are also supported by taxes and intergovernmental revenues.

The district-wide financial statements can be found on pages 11 - 12 of this report.

Fund financial statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. This is a state mandated uniform system and chart of accounts for all Kentucky public school districts utilizing the MUNIS administrative software. The District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the District can be divided into three categories: governmental, proprietary funds and fiduciary funds. Fiduciary funds are agency funds that account for activities of student groups and other types of activities requiring clearing accounts. The only proprietary fund is our food service operation. All other activities of the district are included in the governmental funds.

The basic governmental fund financial statements can be found on pages 13 - 21 of this report.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the district-wide and fund financial statements. The notes to the financial statements can be found on pages 22 - 42 of this report.

DISTRICT-WIDE FINANCIAL ANALYSIS

Net position may serve over time as a useful indicator of a government's financial position. In the case of the District, assets and deferred outflows exceeded liabilities and deferred inflows by \$52,266 as of June 30, 2017.

The largest portion of the District's net position reflects its investment in capital assets (e.g., land and improvements, buildings and improvements, vehicles, furniture and equipment), less any related debt used to acquire those assets that are still outstanding. The District uses these capital assets to provide services to its students; consequently, these assets are not available for future spending. Although the District's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

The District's financial position is the product of several financial transactions including the net results of activities, the acquisition and payment of debt, the acquisition and disposal of capital assets, and the depreciation of capital assets.

Net Position for the period ending June 30, 2017 and June 30, 2016

A comparison of June 30, 2017 and June 30, 2016 government wide net position is as follows:

	Governmental		Business – Type		Total	
	Activities		Activities		Primary Government	
	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>
Current and Other Assets	\$ 968,012	\$ 998,996	\$ 13,980	\$ 47,048	\$ 981,992	\$ 1,046,044
Net Capital Assets	4,212,807	4,111,037	499	1,080	4,213,306	4,112,117
Deferred Outflows	<u>362,595</u>	<u>253,958</u>	<u>-</u>	<u>-</u>	<u>362,595</u>	<u>253,958</u>
Total Assets and Def Outflows	<u>5,543,414</u>	<u>5,363,991</u>	<u>14,479</u>	<u>48,128</u>	<u>5,557,893</u>	<u>5,412,119</u>
Current Liabilities	326,789	363,356	-	-	326,789	363,356
Non-Current Liabilities	5,116,880	5,166,251	-	-	5,116,880	5,166,251
Deferred Inflows	<u>61,958</u>	<u>68,000</u>	<u>-</u>	<u>-</u>	<u>61,958</u>	<u>68,000</u>
Total Liabilities and Def Inflows	<u>5,505,627</u>	<u>5,597,607</u>	<u>-</u>	<u>-</u>	<u>5,505,627</u>	<u>5,597,607</u>
Net Position						
Net Investment in Capital Assets	52,719	(198,909)	499	1080	53,218	(197,829)
Restricted	108,819	177,618	13,980	47,048	122,799	224,666
Unrestricted	<u>(123,751)</u>	<u>(212,325)</u>	<u>-</u>	<u>-</u>	<u>(123,751)</u>	<u>(212,325)</u>
Total Net Position	<u>\$ 37,787</u>	<u>\$(233,616)</u>	<u>\$ 14,479</u>	<u>\$ 48,128</u>	<u>\$52,266</u>	<u>\$(185,488)</u>

Deferred outflows increased by \$108,637 and total liabilities decreased \$85,938. Deferred inflows decreased by \$6,042.

The following table presents a comparison of revenues, expenses and changes in net position for the fiscal years ended June 30, 2017 and June 30, 2016.

	Governmental		Business – Type		Total	
	Activities		Activities		Primary Government	
	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>
REVENUES						
Program revenues						
Charges for services	\$ 2,995	\$11,100	\$ 105,420	\$ 80,093	\$108,415	\$ 91,193
Operating grants and contributions	689,091	664,098	179,366	174,730	868,457	838,828
Capital grants	4,419	4,897			4,419	4,897
General revenues						
Property taxes	1,458,295	1,428,842			1,458,295	1,428,842
Motor vehicle taxes	165,546	135,833			165,546	135,833
Utility Taxes	128,519	124,996			128,519	124,996
Other taxes	12,411	6,112			12,411	6,112
Investment earnings	1,207	1,029			1,207	1,029
State and formula grants	2,610,344	2,632,309			2,610,344	2,632,309
Miscellaneous	93,090	78,604			93,090	78,604
Special Items						
Fund Transfer	14,248	14,682	(14,248)	(14,682)	-	-
Gain (loss) on sale of assets						
Total revenues	<u>5,180,165</u>	<u>5,102,502</u>	<u>270,538</u>	<u>240,141</u>	<u>5,450,703</u>	<u>5,342,643</u>
EXPENSES						
Program Activities						
Instructional	3,179,654	3,089,844			3,179,654	3,089,844
Student support	103,365	106,895			103,365	106,895
Instructional staff Support	211,864	198,589			211,864	198,589
District administrative support	173,124	184,281			173,124	184,281
School administrative support	282,628	288,455			282,628	288,455
Business support	180,754	244,592			180,754	244,592
Plant operations and maintenance	426,865	354,009			426,865	354,009
Student transportation	175,281	193,110			175,281	193,110
Community service activities	41,594	39,168			41,594	39,168
Debt Service	133,633	138,095			133,633	138,095
Business-type Activities						
Food service			304,187	267,781	304,187	267,781
Total expenses	<u>4,908,762</u>	<u>4,837,038</u>	<u>304,187</u>	<u>267,781</u>	<u>5,212,949</u>	<u>5,104,819</u>
Increase in net position	<u>\$271,403</u>	<u>\$ 265,464</u>	<u>\$ 33,649</u>	<u>\$ (27,640)</u>	<u>\$ 237,754</u>	<u>\$ 237,824</u>

On-behalf amounts are included in the above figures. On-behalf payments are payments the state makes on behalf of employees to the various agencies for health and life insurance, benefits, administration fees, technology and debt service. The total on-behalf payments for 2017 and 2016 were \$875,107 and \$872,206 respectively.

Governmental Activities

For the governmental program expenses, instructional expenses comprise 65% of total expenses, support services equate to 32%, and interest and other expenses make up the remaining 3% of the total.

The cost of program services and the charges for services and grants offsetting those services are shown on the Statement of Activities. The Statement of activities identifies the net cost of services supported by tax revenue and unrestricted intergovernmental revenues (State entitlements).

	Governmental Activities Total		Governmental Activities Net	
	Cost of Services		Cost of Services	
	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>
Instructional	\$ 3,179,654	\$ 3,089,844	2,534,075	2,469,321
Support Services	1,553,881	1,569,931	1,545,305	1,553,986
Other	41,594	39,168	3,663	438
Interest Costs	<u>133,633</u>	<u>138,095</u>	<u>129,214</u>	<u>133,198</u>
Total Expenses	<u>\$ 4,908,762</u>	<u>\$ 4,837,038</u>	<u>\$ 4,212,257</u>	<u>\$ 4,156,943</u>

Business-Type Activities

The business type activities consist of the food service program. This program had total revenues of \$284,786 and expenses of \$318,435 for fiscal year 2017. These revenues were made up of \$105,420 charges for services \$179,366 federal and state operating grants. These business-type activities receive no support from tax revenues, and, as such, the District will continue to monitor these activities and make the necessary adjustments to the operations of these activities.

The School District's Funds

The information relative to the School District's Funds starts on page 13. These funds use the modified accrual basis of accounting to account for each fund's revenues and expenses. The combined revenue for all governmental funds for 2017 was \$5,165,917 and expenditures were \$5,260,116. The most significant net change in fund balance was in the building fund with a decrease of \$88,174, which is due to a building project.

General Fund Budgetary Highlights

The District's budget is based on accounting for certain transactions on the cash basis for receipts and expenditures and encumbrances and is prepared according to Kentucky law. The Kentucky Department of Education requires a zero-based budget with any remaining fund balance to be shown as a contingency expense in the budgeting process.

The most significant budgeted fund is the General Fund. The general fund had budgeted revenues of \$2,968,468 with actual results being \$4,080,827. Budgeted expenditures were \$3,613,940 compared to actual expenditures of \$3,998,032. The most significant cause of the variance between budget and actual was the state on-behalf payments in the amount of \$875,107 which are not budgeted.

Future Budgetary Implications

In Kentucky, the public schools fiscal year is July 1 – June 30; other programs, i.e. some federal programs operate on a different fiscal calendar, but are reflected in the District overall budget. By law, the budget must have a minimum 2% contingency. The District adopted a budget for 2016-2017 with a 14% contingency. The District has adopted a budget for 2017-2018 with a 12% contingency.

The Board's obligation for contribution to the Kentucky Retirement System for classified employees increased for FY 2017 from 17.06% to 18.68%. The Teachers Retirement contribution remained the same at 3% on all non-federal employees and 16.105% for all employees paid by federal grant.

The SEEK base funding has not changed from \$3,981 per pupil in FY 2016-2017 to \$3,981 per pupil in FY 2017-2018. The General Fund will be closely monitored to support District staffing.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At the end of the 2017 fiscal year, the District had invested \$4,213,306 in a broad range of capital assets, including equipment, buses, buildings, and land net of accumulated depreciation. This amount represents a net increase of \$101,189. Depreciation expense for the year was \$198,368. Three capital assets were added, one bus for \$93,947, one portable building for \$166,070, and one vehicle for \$39,540.

The table on the following page shows capital assets net of depreciation for the governmental activities, business-type activities and total primary government for fiscal years ended June 30, 2017 and 2016.

	Governmental Activities (Net of Depreciation)		Business - Type Activities (Net of Depreciation)		Total Primary Government (Net of Depreciation)	
	2017	2016	2017	2016	2017	2016
Land and Improvements	\$ 27,350	\$ 30,124	\$ -	\$ -	\$ 27,350	\$ 30,124
Buildings and Improvements	3,924,698	3,911,683	-	-	3,924,698	3,911,683
Technology	11,599	24,198	-	-	11,599	24,198
Vehicles	249,160	144,793	-	-	249,160	144,793
General Equipment	-	239	499	1,080	499	1,319
Total	\$ 4,212,807	\$ 4,111,037	\$ 499	\$ 1,080	\$ 4,213,306	\$ 4,112,117

The table below shows the changes in capital assets for fiscal years ended June 30, 2016 and 2017.

	Governmental Activities		Business - Type Activities		Total Primary Government	
	2017	2016	2017	2016	2017	2016
Beginning Balance	\$ 4,111,037	\$ 4,312,180	\$ 1,080	\$ 2,508	\$ 4,112,117	\$ 4,314,688
Additions	299,557	-	-	-	299,577	-
Retirements	-	-	-	-	-	-
Depreciation	(197,787)	(201,143)	(581)	(1,428)	(198,368)	(202,571)
Ending Balance	\$ 4,212,807	\$ 4,111,037	\$ 499	\$ 1,080	\$ 4,213,326	\$ 4,112,117

Long-Term Debt

At year-end the District had \$3,970,000 in bonds outstanding and \$190,088 in capital lease obligations. Bonded debt principal paid for the year ended June 30, 2017 was \$220,000 and capital lease obligation principal paid was \$23,805. A total of \$253,883 is due within one year.

Contacting the District's Financial Management

This financial report is designed to provide our citizens, taxpayers and other interested readers with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information contact the District's Superintendent or Finance Director.

BUURGIN INDEPENDENT SCHOOL DISTRICT
STATEMENT OF NET POSITION
JUNE 30, 2017

	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL
ASSETS:			
Cash & Cash Equivalents - Note C	893,815	11,389	905,204
Accounts Receivable:			
Taxes - Current	27,879		27,879
Intergovernmental - Federal	46,318		46,318
Inventories for Consumption		2,591	2,591
Total Current Assets	968,012	13,980	981,992
Noncurrent Assets - Note G			
Buildings & Improvements	6,481,003		6,481,003
Furniture & Equipment	997,702	75,987	1,073,689
Less: Accumulated Depreciation	(3,265,898)	(75,488)	(3,341,386)
Total Noncurrent Assets	4,212,807	499	4,213,306
TOTAL ASSETS	5,180,819	14,479	5,195,298
Deferred Outflows Related to Pensions	362,595		362,595
TOTAL ASSETS AND DEFERRED OUTFLOWS	5,543,414	14,479	5,557,893
LIABILITIES:			
Current Liabilities:			
Accounts Payable	9,723		9,723
Advances from Grantors	44,130		44,130
KSBIT Assessment	1,666		1,666
Bond Obligations - Note E	225,000		225,000
Capital Lease Obligation - Note F	27,217		27,217
Accrued Interest Payable	19,053		19,053
Total Current Liabilities	326,789	0	326,789
Noncurrent Liabilities:			
Bond Obligations - Note E	3,745,000		3,745,000
Capital Lease Obligation - Note F	162,871		162,871
Net Pension Liability	1,168,375		1,168,375
KSBIT Assessment	4,995		4,995
Accrued Sick Leave - Note A	35,639		35,639
Total Noncurrent Liabilities	5,116,880	0	5,116,880
TOTAL LIABILITIES	5,443,669	0	5,443,669
Deferred Inflows Related to Pensions	61,958		61,958
TOTAL LIABILITIES AND DEFERRED INFLOWS	5,505,627	0	5,505,627
NET POSITION:			
Net Investment in Capital Assets	52,719	499	53,218
Restricted for:			
School Activities	40,804		40,804
SFCC Escrow	68,015		68,015
Food Service		13,980	13,980
Unrestricted	(123,751)		(123,751)
TOTAL NET POSITION	37,787	14,479	52,266
TOTAL LIABILITIES AND NET POSITION	5,543,414	14,479	5,557,893

See independent auditor's report and accompanying notes to financial statements.

BURGIN INDEPENDENT SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2017

FUNCTION/PROGRAMS	PROGRAM REVENUES				NET(EXPENSE) REVENUE AND CHANGES IN NET POSITION		
	EXPENSES	CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	CAPITAL GRANTS AND CONTRIBUTIONS	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL
GOVERNMENTAL ACTIVITIES:							
Instructional	3,179,654	2,995	642,584		(2,534,075)		(2,534,075)
Support Services:							
Student Support Services	103,365				(103,365)		(103,365)
Staff Support Services	211,864		6,302		(205,562)		(205,562)
District Administration	173,124				(173,124)		(173,124)
School Administration	282,628				(282,628)		(282,628)
Business Support Services	180,754				(180,754)		(180,754)
Plant Operation & Maintenance	426,865				(426,865)		(426,865)
Student Transportation	175,281		2,274		(173,007)		(173,007)
Community Service Operations	41,594		37,931		(3,663)		(3,663)
Interest on Long-Term Debt	133,633			4,419	(129,214)		(129,214)
TOTAL GOVERNMENTAL ACTIVITIES	4,908,762	2,995	689,091	4,419	(4,212,257)		(4,212,257)
BUSINESS-TYPE ACTIVITIES:							
Food Service	304,187	105,420	179,366			(19,401)	(19,401)
TOTAL BUSINESS-TYPE ACTIVITIES	304,187	105,420	179,366	0	0	(19,401)	(19,401)
TOTAL SCHOOL DISTRICT	5,212,949	108,415	868,457	4,419	(4,212,257)	(19,401)	(4,231,658)
GENERAL REVENUES:							
Taxes:							
Property					1,458,295		1,458,295
Motor Vehicle					165,546		165,546
Utility					128,519		128,519
Other					12,411		12,411
State Aid - Formula Grants					2,610,344		2,610,344
Investment Earnings					1,207		1,207
Miscellaneous					93,090		93,090
SPECIAL ITEMS:							
Funds Transfer (Expense)					14,248	(14,248)	0
TOTAL GENERAL & SPECIAL					4,483,660	(14,248)	4,469,412
CHANGE IN NET POSITION					271,403	(33,649)	237,754
NET POSITION, BEGINNING OF YEAR					(233,616)	48,128	(185,488)
NET POSITION - ENDING					37,787	14,479	52,266

See independent auditor's report and accompanying notes to financial statements.

BURGIN INDEPENDENT SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2017

	GENERAL FUND	SPECIAL REVENUE	BUILDING FUND	OTHER GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
ASSETS:					
Cash & Cash Equivalents	784,996		14,162	94,657	893,815
Accounts Receivable:					
Taxes - Current	27,879				27,879
Interfund Receivables	2,156				2,156
Intergovernmental - Federal		46,318			46,318
TOTAL ASSETS	<u>815,031</u>	<u>46,318</u>	<u>14,162</u>	<u>94,657</u>	<u>970,168</u>
LIABILITIES AND FUND BALANCE:					
Liabilities:					
Accounts Payable	9,691	32			9,723
Interfund Payables		2,156			2,156
Advances from Grantors		44,130			44,130
Total Liabilities	<u>9,691</u>	<u>46,318</u>	<u>0</u>	<u>0</u>	<u>56,009</u>
Fund Balance:					
Restricted for:					
School Activities				40,804	40,804
SFCC Escrow			14,162	53,853	68,015
Committed for:					
Site Based Carryforward	12,453				12,453
Sick Leave	35,639				35,639
Assigned for:					
Purchase Obligations	13,894				13,894
Unassigned Fund Balance	743,354				743,354
Total Fund Balance	<u>805,340</u>	<u>0</u>	<u>14,162</u>	<u>94,657</u>	<u>914,159</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>815,031</u>	<u>46,318</u>	<u>14,162</u>	<u>94,657</u>	<u>970,168</u>

See independent auditor's report and accompanying notes to financial statements.

BURGIN INDEPENDENT SCHOOL DISTRICT
RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSTION
FOR THE YEAR ENDED JUNE 30, 2017

Amounts reported for governmental activities in the statement of net position are different because:

TOTAL GOVERNMENTAL FUND BALANCE		914,159
Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds.		
Cost of Capital Assets	7,478,705	
Accumulated Depreciation	<u>(3,265,898)</u>	4,212,807
Deferred Outflows on Related to Pensions are not a current asset and therefore are not reported as assets in governmental funds.		
		362,595
Long-term liabilities (including bonds payable) are not due and payable in the current period and therefore are not reported as liabilities in the funds.		
Long-term liabilities at year end consist of:		
Bonds Payable	(3,970,000)	
Capital Lease Obligation	(190,088)	
Net Pension Liability	(1,168,375)	
KSBIT Assessment	(6,661)	
Accrued Interest on Bonds	(19,053)	
Accrued Sick Leave	<u>(35,639)</u>	(5,389,816)
Deferred Inflows on Related to Pensions are not a current liability and therefore are not reported as liabilities in governmental funds.		
		<u>(61,958)</u>
 TOTAL NET POSITION - GOVERNMENTAL ACTIVITIES		 <u><u>37,787</u></u>

See independent auditor's report and accompanying notes to financial statements.

BURGIN INDEPENDENT SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2017

	GENERAL	SPECIAL REVENUE	BUILDING FUND	OTHER GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
REVENUES:					
Taxes:					
Property	1,207,907		250,388		1,458,295
Motor Vehicle	165,546				165,546
Utility	128,519				128,519
Other	12,411				12,411
Earnings on Investments	1,207				1,207
Intergovernmental - State	2,434,476	313,595	106,167	74,120	2,928,358
Intergovernmental - Federal		375,496			375,496
Other Sources	22,566	45,970		27,549	96,085
TOTAL REVENUES	3,972,632	735,061	356,555	101,669	5,165,917
EXPENDITURES:					
Instructional	2,377,553	704,631		11,371	3,093,555
Support Services:					
Student Support Services	102,820				102,820
Staff Support Services	203,937	6,910			210,847
District Administration	170,893				170,893
School Administration	211,957				211,957
Business Support Services	182,635				182,635
Plant Operation & Maintenance	423,997				423,997
Student Transportation	276,569	2,494			279,063
Facilities Acquisition & Construction				166,070	166,070
Community Service Operations		41,594			41,594
Debt Service:					
Principal				243,805	243,805
Interest				132,880	132,880
TOTAL EXPENDITURES	3,950,361	755,629	0	554,126	5,260,116
EXCESS(DEFICIT) REVENUES OVER EXPENDITURES	22,271	(20,568)	356,555	(452,457)	(94,199)
OTHER FINANCING SOURCES(USES):					
Proceeds from Capital Leases	93,947				93,947
Operating Transfers In - Note O	14,248	20,568		517,081	551,897
Operating Transfers Out - Note O	(47,671)		(444,729)	(45,249)	(537,649)
TOTAL OTHER FINANCING SOURCES	60,524	20,568	(444,729)	471,832	108,195
NET CHANGE IN FUND BALANCES	82,795	0	(88,174)	19,375	13,996
FUND BALANCES - BEGINNING	722,545	0	102,336	75,282	900,163
FUND BALANCES - ENDING	805,340	0	14,162	94,657	914,159

See independent auditor's report and accompanying notes to financial statements.

BURGIN INDEPENDENT SCHOOL DISTRICT
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2017

Amounts reported for governmental activities in the statement of net position are different because:

NET CHANGES - GOVERNMENTAL FUNDS		13,996
<p>Governmental funds report capital outlays as expenditures because they use current financial resources. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital exceeds depreciation expense for the year.</p>		
Depreciation Expense	(197,787)	
Capital Outlays	299,557	101,770
<p>Bond and Capital Lease proceeds are reported as financing sources in governmental funds and thus contribute to the change in fund balance. In the statement of net position, however, issuing debt increases long-term liabilities and does not affect the statement of activities. Similarly, repayment of principal is an expenditure in the governmental funds but reduces the liability in the statement of net position.</p>		
Principal Paid		243,805
Capital Lease Proceeds		(93,947)
<p>Generally, expenditures recognized in this fund financial statement are limited to only those that use current financial resources, but expenses are recognized in the statement of activities when they are incurred.</p>		
District Pension Contributions	78,042	
Cost of Benefits Earned Net of Employee Contributions	(93,879)	
KSBIT Assessment	2,418	
Accrued Interest Payable	(753)	
Accrued Sick Leave	19,951	5,779
CHANGES - NET POSITION GOVERNMENTAL FUNDS		271,403

See independent auditor's report and accompanying notes to financial statements.

BURGIN INDEPENDENT SCHOOL DISTRICT
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2017

	<u>FOOD SERVICE</u>
ASSETS:	
Current Assets:	
Cash & Cash Equivalents	11,389
Accounts Receivable	
Inventories for Consumption	<u>2,591</u>
Total Current Assets	13,980
Noncurrent Assets:	
Furniture & Equipment	75,987
Less: Accumulated Depreciation	<u>(75,488)</u>
Total Noncurrent Assets	<u>499</u>
TOTAL ASSETS	<u><u>14,479</u></u>
LIABILITIES:	
Current Liabilities:	
Account Payable	<u>0</u>
Total Current Liabilities	0
Net Position:	
Net Investment in Capital Assets	499
Restricted	<u>13,980</u>
Total Net Position	<u><u>14,479</u></u>
TOTAL LIABILITIES AND NET POSITION	<u><u>14,479</u></u>

See independent auditor's report and accompanying notes to financial statements.

BURGIN INDEPENDENT SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2017

	FOOD SERVICE
OPERATING REVENUES:	
Lunchroom Sales	86,510
Other Operating Revenues	18,910
TOTAL OPERATING REVENUES	105,420
OPERATING EXPENSES:	
Salaries & Benefits	126,782
Contract Services	1,600
Materials & Supplies	173,899
Depreciation - Note F	581
Other Operating Expenses	1,325
TOTAL OPERATING EXPENSES	304,187
OPERATING INCOME(LOSS)	(198,767)
NONOPERATING REVENUES(EXPENSES):	
Federal Grants	139,091
State Grants	20,786
Donated Commodities	19,489
Transfer Out to General Fund	(14,248)
TOTAL NONOPERATING REVENUE	165,118
INCOME(LOSS) BEFORE CAPITAL CONTRIBUTIONS	(33,649)
CAPITAL CONTRIBUTIONS	0
CHANGE IN NET POSITION	(33,649)
TOTAL NET POSITION - BEGINNING	48,128
TOTAL NET POSITION - ENDING	14,479

See independent auditor's report and accompanying notes to financial statements.

BURGIN INDEPENDENT SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2017

	<u>FOOD SERVICE FUND</u>
CASH FLOWS FROM OPERATING ACTIVITIES:	
Cash Received from:	
Lunchroom Sales	86,510
Other Activities	18,910
Cash Paid to/for:	
Employees	(108,251)
Supplies	(155,066)
Other Activities	(2,925)
	<hr/>
Net Cash Provided (Used) by Operating Activities	(160,822)
CASH FLOWS FROM NON-CAPITAL AND RELATED FINANCING ACTIVITIES:	
Transfer Out to General Fund	(14,248)
Federal Grants	139,091
State Grants	2,255
	<hr/>
Net Cash Provided by Non-Capital and Related Financing Activities	127,098
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:	
	-
CASH FLOWS FROM INVESTING ACTIVITIES	
	<hr/> -
Net Increase in Cash and Cash Equivalents	(33,724)
Balances, Beginning of Year	<hr/> 45,113
Balances, End of Year	<hr/> <hr/> 11,389
RECONCILIATION OF OPERATING LOSS TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:	
Operating Loss	(198,767)
Adjustments to Reconcile Operating Loss to Net Cash Provided (Used) by Operating Activities	
Depreciation	581
State On-Behalf Payments	18,531
Donated Commodities	19,489
Change in Assets and Liabilities:	
Inventory	(656)
Accounts Receivable	<hr/>
Net Cash Provided (Used) by Operating Activities	<hr/> <hr/> <hr/> (160,822)
Schedule of Non-Cash Transactions:	
Donated Commodities	19,489
State On-Behalf Payments	18,531

See independent auditor's report and accompanying notes to financial statements.

BURGIN INDEPENDENT SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
JUNE 30, 2017

	<u>SCHOOL ACTIVITY FUNDS</u>	<u>PRIVATE PURPOSE TRUST FUND</u>	<u>TOTAL</u>
ASSETS:			
Cash and Cash Equivalents	68,731	9,046	77,777
Investments	<u> </u>	<u>167,408</u>	<u>167,408</u>
TOTAL ASSETS	<u>68,731</u>	<u>176,454</u>	<u>245,185</u>
LIABILITIES:			
Due to Student Groups	<u>68,731</u>	<u> </u>	<u>68,731</u>
TOTAL LIABILITIES	<u>68,731</u>	<u>0</u>	<u>68,731</u>
NET POSITION HELD IN TRUST	<u> 0</u>	<u>176,454</u>	<u>176,454</u>

See independent auditor's report and accompanying notes to financial statements.

BURGIN INDEPENDENT SCHOOL DISTRICT
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2017

	<u>PRIVATE PURPOSE TRUST FUNDS</u>
ADDITIONS:	
Earnings on Investments	9,180
DEDUCTIONS:	
Instructional Grants	0
TOTAL DEDUCTIONS	<u>0</u>
Changes in Net Position	9,180
NET POSITION HELD IN TRUST - BEGINNING OF YEAR	<u>167,274</u>
NET POSITION HELD IN TRUST - END OF YEAR	<u><u>176,454</u></u>

See independent auditor's report and accompanying notes to financial statements.

BURGIN INDEPENDENT SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2017

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

The Burgin Independent Board of Education (“Board”), a five-member group, is the level of government which has oversight responsibilities over all activities related to public elementary and secondary school education within the jurisdiction of Burgin Independent Board of Education (“District”). The District receives funding from local, state, and federal government sources and must comply with the commitment requirements of these funding source entities. However, the District is not included in any other governmental “reporting entity” as defined in Section 2100, Codification of Governmental Accounting and Financial Reporting Standards. Board members are elected by the public and have decision-making authority, the power to designate management, the responsibility to develop policies which may influence operations, and primary accountability for fiscal matters.

The District, for financial purposes, includes all of the funds and account groups relevant to the operation of the Burgin Independent Board of Education. The financial statements presented herein do not include funds of groups and organizations, which although associated with the school system, have not originated within the Board itself such as Band Boosters, Parent-Teacher Associations, etc.

The financial statements of the District include those of separately administered organizations that are controlled by or dependent on the Board. Control or dependence is determined on the basis of budget adoption, funding, and appointment of the respective governing board.

Based on the foregoing criteria, the financial statements of the following organizations are included in the accompanying financial statements:

Burgin Independent Board of Education Finance Corporation – In a prior year, the Board of Education resolved to authorize the establishment of the Burgin Independent School District Finance Corporation (a non-profit, non-stock, public and charitable corporation organized under the School Bond Act and KRS 273 and KRS Section 58.180) (the “Corporation”) as an agency for the District for financing the costs of school building facilities. The members of the Board also comprise the Corporation’s Board of Directors.

Basis of Presentation

Government-Wide Financial Statements – The statement of net position and the statement of activities display information about the District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. The statements distinguish between those activities of the District that are governmental and those that are considered business-type activities.

The government-wide statements are prepared using the economic resources measurement focus. This is the same approach used in the preparation of the proprietary fund financial statements but differs from the manner in which governmental fund financial statements are prepared. Governmental fund financial statements therefore include reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

The government-wide statement of activities presents a comparison between direct expenses and program revenues for each segment of the business-type activities of the District and for each function or program of the District's governmental activities. Direct expenses are those that are specifically associated with a service, program or department and are therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues are presented as general revenues of the District, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each business segment or governmental function is self-financing or draws from the general revenues of the District.

Fund Financial Statements – Fund financial statements report detailed information about the District. The focus of governmental and enterprise fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column. Fiduciary funds are reported by fund type.

The accounting and reporting treatment applied to a fund is determined by its measurement focus. All governmental fund types are accounted for using a flow of current financial resources measurement focus. The financial statements for governmental funds are a balance sheet, which generally includes only current assets and current liabilities, and a statement of revenues, expenditures, and changes in fund balances, which reports on the changes in net total assets. Proprietary funds and fiduciary funds are reported using the economic resources measurement focus. The statement of cash flows provides information about how the District finances and meets the cash flow needs of its proprietary activities.

The District has the following funds:

I. Governmental Fund Types

- A. The General Fund is the main operating fund of the Board. It accounts for financial resources used for general types of operations. This is a budgeted fund, and any fund balances are considered as resources available for use. This is a major fund of the District.
- B. The Special Revenue (Grant) Funds account for proceeds of specific revenue sources (other than expendable trust or major capital projects) that are legally restricted to disbursements for specified purposes. It includes federal financial programs where unused balances are returned to the grantor at the close of the specified project periods as well as the state grant programs. Project accounting is employed to maintain integrity for the various sources of funds. The separate projects of federally funded grant programs are identified in the Schedule of Expenditures of Federal Awards and related notes. This is a major fund of the District.
- C. Capital Project Funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities and equipment (other than those financed by Proprietary Fund).
 1. The Support Education Excellence in Kentucky (SEEK) Capital Outlay Fund receives those funds designated by the state as Capital Outlay funds and is restricted for use in financing projects identified in the District's facility plan. This is a major fund of the District.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

2. The Facility Support Program of Kentucky (FSPK) accounts for funds generated by the building tax levy required to participate in the School Facilities Construction Commission's construction funding and state matching funds, where applicable. Funds may be used for projects identified in the District's facility plan. This is a major fund of the District.
 3. The Construction Fund accounts for proceeds from sales of bonds and other revenues to be used for authorized construction.
- D. Debt Service Funds are used to account for the accumulation of resources for, and the payment of, general long-term debt principal and interest and related cost; and for the payment of interest on generally obligation notes payable, as required by Kentucky law.

II. Proprietary Fund Types (Enterprise Fund)

The Food Service Fund is used to account for school food service activities, including the National School Lunch Program, which is conducted in cooperation with the U.S. Department of Agriculture (USDA). Amounts have been recorded for in-kind contribution of commodities from the USDA. The Food Service Fund is a major fund.

The District applies all GASB pronouncements to proprietary funds as well as the Financial Accounting Standards Board pronouncements issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements.

III. Fiduciary Fund Type (Agency Funds)

- A. The Agency Fund accounts for activities of student groups and other types of activities requiring clearing accounts. The funds are accounted for in accordance with the Uniform Program of Accounting for School Activity Funds.

Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Proprietary and fiduciary funds also use the accrual basis of accounting.

Revenues – Exchange and Nonexchange Transactions – Revenues resulting from exchange transactions, in which each party receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenues are recorded in the fiscal year in which the resources are measurable and available. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the District, available means expected to be received within 60 days of the fiscal year-end.

Proprietary Fund operating revenues are defined as revenues received from the direct purchases of products and services (i.e. food service). Non-operating revenues are not related to direct purchases of products; for the District, these revenues are typically investment income and state and federal grant revenues.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

Nonexchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resource are required to be used or the fiscal year when use is first permitted, matching requirements, in which the District must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the District on a reimbursement basis. On a modified accrual basis, revenues from nonexchange transactions must also be available before it can be recognized.

Deferred Revenue – Deferred revenue arises when assets are recognized before revenue recognition criteria have been satisfied.

Grants and entitlements received before the eligibility requirements are met are recorded as deferred revenue.

Expenses/Expenditures – On the accrual basis of accounting, expenses are recognized at the time they are incurred. The fair value of donated commodities used during the year is reported in the statement of revenues, expenses, and changes in net position as an expense with a like amount reported as donated commodities revenue. Unused donated commodities are reported as deferred revenue.

The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable. Allocations of costs, such as depreciation, are not recognized in governmental funds.

Property Taxes

Property Tax Revenues – Property taxes are levied each September on the assessed value listed as of the prior January 1, for all real and personal property in the county. The billings are considered due upon receipt by the taxpayer; however, the actual date is based on a period ending 30 days after the tax bill mailing. Property taxes collected are recorded as revenues in the fiscal year for which they were levied. All taxes collected are initially deposited into the General fund and then transferred to the appropriate fund.

The property tax rates assessed for the year ended June 30, 2017, to finance the General Fund operations were \$0.678 per \$100 valuation for real property, \$0.678 per \$100 valuation for business personal property, and \$0.546 per \$100 valuation for motor vehicles.

The District levies a utility gross receipts license tax in the amount of 3% of the gross receipts derived from the furnishings, within the county, of telephonic and telegraphic communications services, cablevision services, electric power, water, and natural, artificial, and mixed gases.

Capital Assets

General capital assets are those assets not specifically related to activities reported in the proprietary funds. These assets generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net position but are not reported in the fund financial statements. Capital assets utilized by the proprietary funds are reported both in the business-type activities column of the government-wide statement of net position and in the respective funds.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

All reported capital assets are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation is computed using the straight-line method over the following useful lives for both general capital assets and proprietary fund assets:

Description	Governmental Activities Estimated Lives
Buildings and improvements	25-50 years
Land improvements	20 years
Technology equipment	5 years
Vehicles	5-10 years
Audio-visual equipment	15 years
Food service equipment	10-12 years
Furniture and fixtures	7 years
Rolling stock	15 years
Other	10 years

Interfund Balances

On fund financial statements, receivables and payable resulting from short-term interfund loans are classified as “interfund receivables/payables.” These amounts are eliminated in the governmental and business-type activities columns of the statements of net position except for the net residual amounts due between governmental and business-type activities, which are presented as internal balances.

Accumulated Unpaid Sick Leave Benefits

Upon retirement from the school system, an employee will receive from the District an amount equal to 30% of the value of accumulated sick leave.

Sick leave benefits are accrued as a liability using the termination payment method. An accrual for earned sick leave is made to the extent that it is probable that the benefits will result in termination payments. The liability is based on the School District’s past experience of making termination payments.

The entire compensated absence liability is reported on the government-wide financial statements.

For governmental fund financial statements, the current portion of unpaid accrued sick leave is the amount expected to be paid using expendable available resources. These amounts are recorded in the amount “accumulated sick leave payable” in the general fund. The noncurrent portion of the liability is reported as a reserve of fund balance.

Budgetary Process

Budgetary Basis of Accounting: The District’s budgetary process accounts for certain transactions on a basis other than Generally Accepted Accounting Principles (GAAP). The major differences between the budgetary basis and the GAAP basis are:

Revenues are recorded when received in cash (budgetary) as opposed to when susceptible to accrual (GAAP).

Expenditures are recorded when paid in cash (budgetary) as opposed to when susceptible to accrual (GAAP).

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

Once the budget is approved, it can be amended. Amendments are presented to the Board at their regular meetings. Such amendments are made before the fact, are reflected in the official minutes of the Board, and are not made after fiscal year-end as dictated by law.

Each budget is prepared and controlled by the budget coordinator at the revenue and expenditure function/object level. All budget appropriations lapse at year-end.

Cash and Cash Equivalents

The District considers demand deposits, money market funds, and other investments with an original maturity of 90 days or less, to be cash equivalents.

Inventories

On government-wide financial statements, inventories are stated at cost and are expensed when used.

On fund financial statements inventories are stated at cost. The cost of inventory items is recorded as an expenditure in the governmental fund types when purchased.

The food service fund uses the specific identification method.

Investments

The private purpose trust funds record investments at their quoted market prices. All realized gains and losses and changes in fair value are recorded in the Statement of Changes in Fiduciary Net Position.

Accrued Liabilities and Long-Term Obligations

All payables, accrued liabilities, and long-term obligations are reported in the government-wide financial statements, and all payables, accrued liabilities, and long-term obligations payable from proprietary funds are reported on the proprietary fund financial statements.

In general, payables and accrued liabilities that will be paid from governmental funds are reported on the governmental fund financial statements regardless of whether they will be liquidated with current resources. However, claims and judgments, the noncurrent portion of capital leases, accumulated sick leave, contractually required pension contributions and special termination benefits that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they will be paid with current, expendable, available financial resources. In general, payments made within sixty days after year-end are considered to have been made with current available financial resources. Bonds and other long-term obligations that will be paid from governmental funds are not recognized as a liability in the fund financial statements until due.

Fund Balance

In accordance with Government Accounting Standards Board 54, Fund Balance Reporting and Governmental Fund Type Definitions, the District classifies governmental fund balances as follows:

Non-spendable – includes fund balance amounts that cannot be spent either because it is not in spendable form or because of legal or contractual constraints.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

Restricted – includes fund balance amounts that are constrained for specific purposes which are externally imposed by providers, such as creditors or amounts constrained due to constitutional provisions or enabling legislation.

Committed – includes fund balance amounts that are constrained for specific purposes that are internally imposed by the government through formal action of the highest level of decision making authority and does not lapse at year-end.

Assigned – includes fund balance amounts that are intended to be used for specific purposes that are neither considered restricted or committed. Fund Balance may be assigned by the Superintendent.

Unassigned – includes positive fund balance within the General Fund which has not been classified within the above mentioned categories and negative fund balances in other governmental funds.

The District committed the following fund balance type by taking the following action:

<u>Fund Balance Type</u>	<u>Amount</u>	<u>Action</u>
General Fund	35,639	Long-Term Sick Leave Commitment
General Fund	12,453	Site Based Carryforward

The District uses *restricted/committed* amounts to be spent first when both restricted and unrestricted fund balance is available unless there are legal documents/contracts that prohibit doing this, such as grant agreements requiring dollar for dollar spending. Additionally, the District would first use *committed*, then *assigned*, and lastly *unassigned* amounts for unrestricted fund balance when expenditures are made.

The District does not have a formal minimum fund balance policy.

<u>Major Special Revenue Fund</u>	<u>Revenue Source</u>
Special Revenue	State, Local and Federal Grants

Net Position

Net Position represents the difference between assets and liabilities. Net investment in capital assets, consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction, or improvement of those assets. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the School District or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments.

Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from the primary activity of the proprietary funds. For the School District, those revenues are primarily charges for meals provided by the various schools.

Contributions of Capital

Contributions of capital in proprietary fund financial statements arise from outside contributions of fixed assets, or from grants or outside contributions of resources restricted to capital acquisition and construction.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

Interfund Activity

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds and after nonoperating revenues/expenses in proprietary funds. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the financial statements.

Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the County Employees Retirement System Non-Hazardous (“CERS”) and Teachers Retirement System of the State of Kentucky (“TRS”) and additions to/deductions from fiduciary net position have been determined on the same basis as they are reported by the pensions. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

NOTE B – ESTIMATES

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires the District’s management to make estimates and assumptions that affect reported amounts of assets, liabilities, fund balances, and disclosure of contingent assets and liabilities at the date of the general purpose financial statements, and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

NOTE C – CASH AND CASH EQUIVALENTS

Custodial Credit Risk - Deposits. Custodial Credit is the risk that in the event of a bank failure, the District’s deposits may not be returned to it. The District’s policy is to have all deposits secured by pledged securities.

At year-end, the carrying amount of the District’s total cash and cash equivalents was \$982,981. Of the total cash balance, \$259,046 was covered by Federal Depository Insurance, \$723,935 was covered by collateral agreements and collateral held by the pledging banks’ trust departments in the District’s. Cash equivalents are funds temporarily invested in securities with maturity of 90 days or less.

Cash and cash equivalents at June 30, 2017, consisted of the following:

	Bank Balance	Book Balance
Farmers National Bank	1,018,235	973,935
Raymond James	<u>9,046</u>	<u>9,046</u>
Total Cash and Cash Equivalents	<u>1,027,281</u>	<u>982,981</u>

Breakdown per financial statements:

Governmental Funds	893,815
Proprietary Funds	<u>11,389</u>
Subtotal	905,204
Fiduciary Funds	9,046
Agency Funds	<u>68,731</u>
Total Cash and Cash Equivalents All Funds	<u>982,981</u>

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE D – INVESTMENTS

Investments stem from the estate of Ms. Ruby Proctor, left to Burgin Independent School District to be administered by the superintendent; the principal to be invested in trust-grade instruments and the annual earnings/interest to be distributed to classroom teachers. To be eligible for a “Proctor Grant” the teacher must submit an entry application for a creative, innovative, effective proposal and plan for a special classroom project that goes beyond the standard curriculum. Ms. Proctor urged that those involved in this program be liberal in creativity, to stir the imagination of the students and to build character and a love of learning.

The District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

Investments at June 30, 2017, consist of the following:

	<u>Cost</u>	<u>Fair Value</u>
Money Market Funds	\$ 9,046	\$ 9,046
Common Stock	58,140	126,480
Exchange Traded Funds	<u>38,025</u>	<u>40,928</u>
	<u>\$ 105,211</u>	<u>\$ 176,454</u>

All fair values listed above are valued using quoted market prices (Level 1 inputs).

While such investments are not in conformity with state law or District policy, the assets are in trust, and the trustee makes all investment decisions.

NOTE E – LONG TERM OBLIGATIONS

The amount shown in the accompanying financial statements as bond obligations represents the District’s future obligations to make payments relating to the bonds issued by the Burgin Independent School District Finance Corporation aggregating \$4,720,000.

The original amount of each issue and interest rates are summarized below:

2011	2,345,000	1.00% - 4.30%
2012	1,005,000	1.00% - 2.75%
2012 Refunding	1,370,000	0.70% - 3.00%

The District, through the General Fund (including utility taxes and the Support Education Excellence (SEEK) Capital Outlay Fund) is obligated to make payments in amounts sufficient to satisfy debt service requirements on bonds issued by the Burgin Independent School District Finance Corporation to construct school facilities. The District has an option to purchase the property under lease at any time by retiring the bonds then outstanding.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE E – LONG TERM OBLIGATIONS (CONTINUED)

The District has “participation agreements” with the Kentucky School Facility Construction Commission. The Commission was created by the Kentucky Legislature for the purpose of assisting local schools districts in meeting school construction needs. The table sets forth the amount to be paid by the Board and the Commission for each year until maturity of all bonds issued. The Kentucky School Construction Commission’s participation is limited to the biennial budget period of the Commonwealth of Kentucky with the right reserved by the Kentucky School Construction Commission to terminate the commitment to pay the agreed participation every two years. The obligation of the Kentucky School Construction Commission to make the agreed payments automatically renews each two years for a period of two years unless the Kentucky School Construction Commission gives notice if its intention not to participate not less than sixty days prior to the end of its biennium.

The bonds may be called prior to maturity and redemption premiums are specified in each issue. Assuming no bonds are called prior to scheduled maturity, the maturity, the minimum obligations of the District, including amounts to be paid by the Commission at June 30, 2017, for debt service (principal and interest) are as follows:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Participation</u>	<u>District's Portion</u>
2017-18	225,000	124,485	28,791	320,694
2018-19	230,000	119,586	28,790	320,796
2019-20	235,000	114,560	28,791	320,769
2020-21	245,000	109,244	28,791	325,453
2021-22	250,000	103,475	28,790	324,685
2022-23	255,000	97,180	28,793	323,387
2023-24	260,000	90,293	28,791	321,502
2024-25	240,000	83,235	194	323,041
2025-26	250,000	75,115	194	324,921
2026-27	260,000	65,649	195	325,454
2027-28	270,000	55,618	194	325,424
2028-29	280,000	45,030	195	324,835
2029-30	290,000	34,030	194	323,836
2030-31	300,000	22,180	194	321,986
2031-32	185,000	7,906	-0-	192,906
2032-33	<u>195,000</u>	<u>2,681</u>	<u>-0-</u>	<u>197,681</u>
	<u>3,970,000</u>	<u>1,150,267</u>	<u>202,896</u>	<u>4,917,371</u>

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE E – LONG TERM OBLIGATIONS (CONTINUED)

Long-term liability activity for the year ended June 30, 2017, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Primary Government					
Governmental Activities:					
Revenue Bonds Payable	4,190,000	0	220,000	3,970,000	225,000
Capital Lease Obligations	119,946	93,947	23,805	190,088	27,217
KISBIT Assessment	9,079	0	2,418	6,661	1,666
Net Pension Liability	1,037,859	130,516	0	1,168,375	0
Accrued Sick Leave	<u>55,590</u>	<u>43,462</u>	<u>63,413</u>	<u>35,639</u>	<u>0</u>
Governmental Activities					
Total Long-Term Liabilities	<u>5,412,474</u>	<u>267,925</u>	<u>309,636</u>	<u>5,370,763</u>	<u>253,883</u>

NOTE F - CAPITAL LEASE PAYABLE

The District is the lessee of a bus under a capital lease expiring in fiscal year 2017. The asset and liability under the capital lease is recorded at the present value of the minimum lease payments or the fair value of the asset. The asset is amortized over its estimated productive life. Amortization of assets under capital leases is included in depreciation expense for fiscal year 2017.

The following is a summary of property held under capital leases:

<u>Classes of Property</u>	<u>Book Value as of June 30, 2017</u>
Gross amount of assets	268,532
Accumulated Amortization	<u>(93,191)</u>
	<u>175,371</u>

The following is a schedule by years of the future principal payments under capital leases as of June 30, 2017:

<u>Year Ending June 30,</u>	<u>Capital Lease Payable</u>
2018	32,306
2019	32,443
2020	29,116
2021	29,070
2022	21,266
2023-2017	<u>68,257</u>
Net minimum lease payments	212,458
Amount representing interest	<u>(22,370)</u>
Present value of net minimum lease payments	<u>190,088</u>

Interest rates on capitalized leases vary from 1.00% to 4.00%. The capital lease provides for the bus to revert to the District at the end of the respective lease with no further payment for purchase.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE G - CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2017, was as follows:

	<u>BEGINNING BALANCE</u>	<u>ADDITIONS</u>	<u>RETIREMENTS</u>	<u>ENDING BALANCE</u>
GOVERNMENTAL ACTIVITIES:				
Non-Depreciable Assets:				
Land				
Depreciable Assets:				
Land Improvements	203,022			203,022
Buildings & Building Improvements	6,111,911	166,070		6,277,981
Technology Equipment	314,497			314,497
Vehicles	519,458	133,487		652,945
General Equipment	<u>30,260</u>			<u>30,260</u>
TOTAL AT HISTORICAL COST	<u>7,179,148</u>	<u>299,557</u>	<u>0</u>	<u>7,478,705</u>
LESS ACCUMULATED DEPRECIATION FOR:				
Land Improvements	172,898	2,774		175,672
Buildings & Building Improvements	2,200,228	153,055		2,353,283
Technology Equipment	290,299	12,599		302,898
Vehicles	374,665	29,120		403,785
General Equipment	<u>30,021</u>	<u>239</u>		<u>30,260</u>
TOTAL ACCUMULATED DEPRECIATION	<u>3,068,111</u>	<u>197,787</u>	<u>0</u>	<u>3,265,898</u>
GOVERNMENTAL ACTIVITIES CAPITAL NET	<u><u>4,111,037</u></u>	<u><u>101,770</u></u>	<u><u>0</u></u>	<u><u>4,212,807</u></u>
PROPRIETARY ACTIVITIES:				
Depreciable Assets:				
Technology Equipment	1,600			1,600
General Equipment	<u>74,387</u>			<u>74,387</u>
TOTALS AT HISTORICAL COST	<u>75,987</u>	<u>0</u>	<u>0</u>	<u>75,987</u>
LESS ACCUMULATED DEPRECIATION FOR:				
Technology Equipment	1,600			1,600
General Equipment	<u>73,307</u>	<u>581</u>		<u>73,888</u>
TOTAL ACCUMULATED DEPRECIATION	<u>74,907</u>	<u>581</u>	<u>0</u>	<u>75,488</u>
PROPRIETARY ACTIVITIES CAPITAL NET	<u><u>1,080</u></u>	<u><u>(581)</u></u>	<u><u>0</u></u>	<u><u>499</u></u>
DEPRECIATION EXPENSE CHARGED TO GOVERNMENTAL FUNCTIONS AS FOLLOWS:				
Instructional				95,751
District Administration				1,480
School Administration				69,571
Plant Operation & Maintenance				1,864
Student Transportation				<u>29,121</u>
TOTAL				<u><u>197,787</u></u>

NOTE H – RETIREMENT PLANS

The District’s employees are provided with two pension plans, based on each position’s college degree requirement. The County Employees Retirement System covers employees whose position does not require a college degree or teaching certification. The Teachers Retirement System covers positions requiring teaching certification or otherwise requiring a college degree.

General information about the County Employees Retirement System Non-Hazardous (“CERS”)

Plan description—Employees whose positions do not require a degree beyond a high school diploma are covered by the CERS, a cost-sharing multiple-employer defined benefit pension plan administered by the Kentucky Retirement System, an agency of the Commonwealth of Kentucky. Under the provisions of the Kentucky Revised Statute (“KRS”) Section 61.645, the Board of Trustees of the Kentucky Retirement System administers CERS and has the authority to establish and amend benefit provisions. The Kentucky Retirement System issues a publicly available financial report that includes financial statements and required supplementary information for CERS. That report may be obtained from <http://kyret.ky.gov/>.

Benefits provided—CERS provides retirement, health insurance, death and disability benefits to Plan employees and beneficiaries. Employees are vested in the plan after five years’ service. For retirement purposes, employees are grouped into three tiers, based on hire date:

Tier 1	Participation date	Before September 1, 2008
	Unreduced retirement	27 years service or 65 years old
	Reduced retirement	At least 5 years service and 55 years old At least 25 years service and any age
Tier 2	Participation date	September 1, 2008 - December 31, 2013
	Unreduced retirement	At least 5 years service and 65 years old OR age 57+ and sum of service years plus age equal 87
	Reduced retirement	At least 10 years service or 60 years old
Tier 3	Participation date	After December 31, 2013
	Unreduced retirement	At least 5 years service and 65 years old OR age 57+ and sum of service years plus age equal 87
	Reduced retirement	Not Available

Cost of living adjustments are provided at the discretion of the General Assembly. Retirement is based on a factor of the number of years’ service and hire date multiplied by the average of the highest five years’ earnings. Reduced benefits are based on factors of both of these components. Participating employees become eligible to receive the health insurance benefit after at least 180 months of service. Death benefits are provided for both death after retirement and death prior to retirement. Death benefits after retirement are \$5,000 in lump sum. Five years’ service is required for death benefits prior to retirement and the employee must have suffered a duty-related death. The decedent’s beneficiary will receive the higher of the normal death benefit and \$10,000 plus 25% of the decedent’s monthly final rate of pay and any dependent child will receive 10% of the decedent’s monthly final rate of pay up to 40% for all dependent children. Five years’ service is required for nonservice-related disability benefits

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

Contributions—Required contributions by the employee are based on the tier:

	<u>Required Contributions</u>
Tier 1	5%
Tier 2	5% +1% for insurance
Tier 3	5% +1% for insurance

General information about the Teachers’ Retirement System of the State of Kentucky (“TRS”)

Plan description—Teaching certified employees of the District and other employees whose positions require at least a college degree are provided pensions through the Teachers’ Retirement System of the State of Kentucky (TRS)—a cost-sharing multiple-employer defined benefit pension plan with a special funding situation established to provide retirement annuity plan coverage for local school districts and other public educational agencies in the Commonwealth. TRS was created by the 1938 General Assembly and is governed by Chapter 161 Section 220 through Chapter 161 Section 990 of the KRS. TRS is a blended component unit of the Commonwealth of Kentucky and therefore is included in the Commonwealth’s financial statements. TRS issues a publicly available financial report that can be obtained at http://www.TRS.ky.gov/05_publications/index.htm.

Benefits provided—For employees who have established an account in a retirement system administered by the Commonwealth prior to July 1, 2008, employees become vested when they complete five (5) years of credited service. To qualify for monthly retirement benefits, payable for life, employees must either:

- 1.) Attain age fifty-five (55) and complete five (5) years of Kentucky service, or
- 2.) Complete 27 years of Kentucky service.

Employees that retire before age 60 with less than 27 years of service receive reduced retirement benefits. Non-university employees with an account established prior to July 1, 2002 receive monthly payments equal to two (2) percent (service prior to July 1, 1983) and two and one-half (2.5) percent (service after July 1, 1983) of their final average salaries for each year of credited service. New employees (including second retirement accounts) after July 1, 2002 will receive monthly benefits equal to 2% of their final average salary for each year of service if, upon retirement, their total service less than ten years. New employees after July 1, 2002 who retire with ten or more years of total service will receive monthly benefits equal to 2.5% of their final average salary for each year of service, including the first ten years.

In addition, employees who retire July 1, 2004 and later with more than 30 years of service will have their multiplier increased for all years over 30 from 2.5% to 3.0% to be used in their benefit calculation. Effective July 1, 2008, the System has been amended to change the benefit structure for employees hired on or after that date.

Final average salary is defined as the member’s five (5) highest annual salaries for those with less than 27 years of service. Employees at least age 55 with 27 or more years of service may use their three (3) highest annual salaries to compute the final average salary. TRS also provides disability benefits for vested employees at the rate of sixty (60) percent of the final average salary. A life insurance benefit, payable upon the death of a member, is \$2,000 for active contributing employees and \$5,000 for retired or disabled employees.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

Cost of living increases are one and one-half (1.5) percent annually. Additional ad hoc increases and any other benefit amendments must be authorized by the General Assembly.

Contributions—Contribution rates are established by Kentucky Revised Statutes (KRS). Non-university employees are required to contribute 12.855% of their salaries to the System. University employees are required to contribute 10.40% of their salaries. KRS 161.580 allows each university to reduce the contribution of its employees by 2.215%; therefore, university employees contribute 8.185% of their salary to TRS.

The Commonwealth of Kentucky, as a non-employer contributing entity, pays matching contributions at the rate of 13.105% of salaries for local school district and regional cooperative employees hired before July 1, 2008 and 14.105% for those hired after July 1, 2008. For local school district and regional cooperative employees whose salaries are federally funded, the employer contributes 16.105% of salaries. If an employee leaves covered employment before accumulating five (5) years of credited service, accumulated employee pension contributions plus interest are refunded to the employee upon the member's request.

Medical Insurance Plan

Plan description—In addition to the pension benefits described above, KRS 161.675 requires TRS to provide post-employment healthcare benefits to eligible employees and dependents. The TRS Medical Insurance Fund is a cost-sharing multiple employer defined benefit plan. Changes made to the medical plan may be made by the TRS Board of Trustees, the Kentucky Department of Employee Insurance and the General Assembly.

To be eligible for medical benefits, the member must have retired either for service or disability. The TRS Medical Insurance Fund offers coverage to employees under the age of 65 through the Kentucky Employees Health Plan administered by the Kentucky Department of Employee Insurance. Once retired employees and eligible spouses attain age 65 and are Medicare eligible, coverage is obtained through the TRS Medicare Eligible Health Plan.

Funding policy—In order to fund the post-retirement healthcare benefit, six percent (6%) of the gross annual payroll of employees before July 1, 2008 is contributed. Three percent (3%) is paid by member contributions and three quarters percent (.75%) from Commonwealth appropriation and two and one quarter percent (2.25%) from the employer. Also, the premiums collected from retirees as described in the plan description and investment interest help meet the medical expenses of the plan.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At June 30, 2017, the District reported a liability for its proportionate share of the net pension liability for CERS. The District did not report a liability for the District's proportionate share of the net pension liability for TRS because the Commonwealth of Kentucky provides the pension support directly to TRS on behalf of the District. The amount recognized by the District as its proportionate share of the net pension liability, the related Commonwealth support, and the total portion of the net pension liability that was associated with the District were as follows:

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

District's proportionate share of the CERS net pension liability	\$ 1,168,375
Commonwealth's proportional share of the TRS net pension liability associated with the District	<u>19,315,786</u>
	<u>\$ 20,484,161</u>

The net pension liability for each plan was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date.

The District's proportion of the net pension liability for CERS was based on the actual liability of the employees and former employees relative to the total liability of the System as determined by the actuary. At June 30, 2016, the District's proportion was 0.02373% percent.

For the year ended June 30, 2017, the District recognized pension expense of \$93,880 related to CERS and \$317,826 related to TRS. The District also recognized revenue of \$317,826 for TRS support provided by the Commonwealth. At June 30, 2017, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 11,262	\$ -
Changes of assumptions	136,649	-
Net difference between projected and actual earnings on pension plan investments	117,282	51,000
Changes in proportion and differences between District contributions and proportionate share of contributions	19,360	10,958
District contributions subsequent to the measurement date	<u>78,042</u>	<u>-</u>
Total	<u>\$ 362,595</u>	<u>\$ 61,958</u>

\$78,042 reported as deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows related to pensions will be recognized in pension expense as follows:

<u>Year ended June 30:</u>	
2018	62,540
2019	62,540
2020	44,255
2021	31,293
2022	21,967

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

Actuarial assumptions—The total pension liability in the June 30, 2016 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

	CERS	TRS
Inflation	3.25%	3.50%
Projected salary increases	4.00%	4.0-8.2%
Investment rate of return, net of investment expense & inflation	7.50%	7.50%

For CERS, the mortality table used for active members is RP-2000 Combined Mortality Table projected with Scale BB to 2013 (multiplied by 50% for males and 30% for females). For healthy retired members and beneficiaries, the mortality table used is the RP-2000 Combined Mortality Table projected with Scale BB to 2013 (set back 1 year for females). For disabled members, the RP-2000 Combined Disabled Mortality Table projected with Scale BB to 2013 (set back 4 years for males) is used for the period after disability retirement. There is some margin in the current mortality tables for possible future improvement in mortality rates and that margin will be reviewed again when the next experience investigation is conducted. The actuarial assumptions used in the June 30, 2016 valuation were based on the results of an actuarial experience study for the period July 1, 2008 – June 30, 2013.

For TRS, Mortality rates were based on the RP-2000 Combined Mortality Table for Males or Females, as appropriate, with adjustments for mortality improvements based on a projection of Scale AA to 2020 with a setback of 1 year for females. The last experience study was performed in 2015.

For CERS, the long-term expected return on plan assets is reviewed as part of the regular experience studies prepared every five years for the system. The most recent analysis, performed for the period covering fiscal years 2008 through 2013, is outlined in a report dated April 30, 2014. Several factors are considered in evaluating the long-term rate of return assumption including long-term historical data, estimates inherent in current market data, and a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected return, net of investment expense and inflation) were developed by the investment consultant for each major asset class. These ranges were combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and then adding expected inflation. The capital market assumptions developed by the investment consultant are intended for use over a 10-year horizon and may not be useful in setting the long-term rate of return for funding pension plans which covers a longer timeframe. The assumption is intended to be a long-term assumption and is not expected to change absent a significant change in the asset allocation, a change in the inflation assumption, or a fundamental change in the market that alters expected returns in future years.

For TRS, the long-term expected rate of return on pension plan investments was determined using a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class, as provided by TRS's investment consultant, are summarized in the following table:

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
U.S. Equity	45.0%	6.4%
Non U.S. Equity	17.0%	6.5%
Fixed Income	24.0%	1.6%
High Yield Bonds	4.0%	3.1%
Real Estate	4.0%	5.8%
Alternatives	4.0%	6.8%
Cash	2.0%	1.5%
Total	100.0%	

Discount rate—For CERS, the discount rate used to measure the total pension liability was 7.50%. The projection of cash flows used to determine the discount rate assumed that contributions from plan employees and employers will be made at statutory contribution rates. Projected inflows from investment earnings were calculated using the long-term assumed investment return of 7.50%. The long-term investment rate of return was applied to all periods of projected benefit payments to determine the total pension liability.

For TRS, the discount rate used to measure the total pension liability was 4.2%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rates and the employer contributions will be made at statutorily required rates. Based on those assumptions, the pension plan’s fiduciary net position was projected to be available to make all projected future benefit payments of current plan employees until the 2040 plan year. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments through 2039 and a municipal bond index rate of 3.01% was applied to all periods of projected benefit payments after 2039. The Single Equivalent Interest Rate (SEIR) that discounts the entire projected benefit stream to the same amount as the sum of the present values of the two separate benefit payments streams was used to determine the total pension liability.

Sensitivity of CERS and TRS proportionate share of net pension liability to changes in the discount rate—The following table presents the net pension liability of the District, calculated using the discount rates selected by each pension system, as well as what the District’s net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate:

	1% Decrease	Current Discount Rate	1% Increase
CERS	6.5%	7.5%	8.5%
District's proportionate share of net pension liability	1,455,984	1,168,375	921,836
TRS	3.2%	4.2%	5.2%
District's proportionate share of net pension liability	0	0	0

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

Pension plan fiduciary net position—Detailed information about the pension plan’s fiduciary net position is available in the separately issued financial reports of both CERS and TRS.

NOTE I – COMMITMENTS

Commitments under operating lease agreements for office equipment provide the minimum future rental payments as of June 30, 2017, as follows:

	<u>Year ending June 30:</u>	
2018		2,556
2019		2,555
2020		<u>2,555</u>
Total minimum payments		<u>7,666</u>

NOTE J – CONTINGENCIES

The District receives funding from federal, state, and local government agencies and private contributions. These funds are to be used for designated purposes only. For government agency grants, if based upon the grantor’s review, the funds are considered not to have been used for the intended purpose, the grantors may request a refund of monies advanced, or refuse to reimburse the District for its disbursements. The amount of such future refunds and unreimbursed disbursements, if any, is not expected, to be significant. Continuation of the District’s grant programs is predicated upon the grantors’ satisfaction that the funds provided are being spent as intended and the grantors’ intent to continue their programs.

NOTE K – INSURANCE AND RELATED ACTIVITIES

The District is exposed to various forms of loss of assets associated with the risks of fire, personal liability, theft, vehicular accidents, errors and omissions, fiduciary responsibility, etc. Each of these risk areas is covered through the purchase of commercial insurance. The District has purchased certain policies, which are retrospectively related which include Workers’ Compensation insurance.

NOTE L – RISK MANAGEMENT

The District is exposed to various risks of loss related to injuries to employees. To obtain insurance of workers’ compensation, errors and omissions, and general liability coverage, the District obtains quotes from commercial insurance companies. Currently the District maintains insurance coverage through the Ohio Casualty Insurance Association.

The District purchases unemployment insurance through the Kentucky School Boards Insurance Trust Unemployment Compensation Fund; however, risk has not been transferred to such fund. In addition, the District continues to carry commercial insurance for all other risks of loss. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE M – DEFICIT OPERATING BALANCES

There are no funds of the District that currently have a deficit fund balance. However, the following funds have operations that resulted in a current year deficit of expenditures over revenues resulting in a corresponding reduction of fund balance:

Debt Service Fund	347,894
Special Revenue Fund	20,568
Food Service	33,649
Construction	166,070

NOTE N – COBRA

Under COBRA, employers are mandated to notify terminated employees of available continuing insurance coverage. Failure to comply with this requirement may put the School District at risk for a substantial loss (contingency).

NOTE O – TRANSFER OF FUNDS

The following transfers were made during the year:

Type	From Fund	To Fund	Purpose	Amount
Matching	General	Special Revenue	Technology Match	18,725
Operating	General	Special Revenue	Operating	1,843
Operating	General	Debt Service	Debt Service	27,103
Operating	Capital Outlay	Construction	Construction	45,249
Operating	Building	Construction	Construction	120,821
Operating	Building	Capital Outlay	Operations	3,117
Operating	Building	Debt Service	Debt Service	<u>320,791</u>
		Subtotal Governmental Fund Transfers		537,649
Operating	Food Service	General	Indirect Costs	<u>14,248</u>
		Total Transferred Funds		<u>551,897</u>

NOTE P – INTERFUND RECEIVABLES AND PAYABLES

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Special Revenue	\$2,156

The interfund payables/receivables represent temporary financing that will be repaid within one year.

NOTE Q – SUBSEQUENT EVENTS

Management has reviewed subsequent events through October 27, 2017. There are no material subsequent events to disclose.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE R – ON-BEHALF PAYMENT

For the year ended June 30, 2017, \$875,107 in on-behalf payments were made by the Commonwealth of Kentucky for the benefit of the District. Payments for life insurance, health insurance, Kentucky teacher retirement matching pension contributions, and administrative fees were paid by the State for the District. These payments were recognized as on-behalf payments and recorded in the appropriate revenue and expense accounts. These payments were recorded as follows:

Teachers Retirement System (GASB 68 Schedule A)	\$317,826
Health Insurance	464,434
Life Insurance	794
Administrative Fee	6,355
HRA/Dental/Vision	38,500
Federal Reimbursement	(23,586)
Technology	41,993
SFCC Debt Service Payments	<u>28,791</u>
Total	<u>\$875,107</u>

NOTE S – KSBIT ASSESSMENT

As of June 30, 2013, Kentucky School Boards Insurance Trust (KSBIT) was disbanded. On January 14, 2013, school districts in Kentucky were notified that if they had been participating members in KSBIT Workers' Compensation Self-Insurance Pool or its Property and Liability Self-Insurance Pool, they would be required to pay an assessment to repay their portion of the losses incurred by KSBIT. The total assessment for all participants is expected to be between \$50 million and \$60 million. As of June 30, 2017, Burgin Independent School District's remaining assessment is valued at \$6,661. This has been recorded as a long-term liability on the government-wide financial statements. However, the District may be given an additional assessment in the future if KSBIT incurs additional losses as a result of ongoing litigation. The District has elected to pay this assessment over a seven year period with the final payment in fiscal year 2021.

<u>Year Ending June 30,</u>	<u>KSBIT Assessment Payable</u>
2018	1,666
2019	1,666
2020	1,665
2021	<u>1,664</u>
Total	<u>6,661</u>

REQUIRED SUPPLEMENTARY
INFORMATION

BURGIN INDEPENDENT SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2017

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
REVENUES:				
Taxes	1,422,537	1,422,537	1,514,383	91,846
Other Local Sources	300	300	1,207	907
State Sources	1,513,386	1,513,386	2,434,476	921,090
Federal Sources	0	0	0	0
Other Sources	32,245	32,245	130,761	98,516
TOTAL REVENUES	2,968,468	2,968,468	4,080,827	1,112,359
EXPENDITURES:				
Instructional	1,750,858	1,750,858	2,377,553	(626,695)
Student Support Services	91,847	91,847	102,820	(10,973)
Staff Support Services	185,659	185,659	203,937	(18,278)
District Administration	155,680	155,680	170,893	(15,213)
School Administration	183,719	183,719	211,957	(28,238)
Business Support Services	113,990	113,990	182,635	(68,645)
Plant Operation & Maintenance	417,419	417,419	423,997	(6,578)
Student Transportation	166,771	166,771	276,569	(109,798)
Other	547,997	547,997	47,671	500,326
TOTAL EXPENDITURES	3,613,940	3,613,940	3,998,032	(384,092)
NET CHANGE IN FUND BALANCE	(645,472)	(645,472)	82,795	728,267
FUND BALANCES - BEGINNING	645,472	645,472	722,545	0
FUND BALANCES - ENDING	0	0	805,340	728,267

On-behalf payments totaling \$875,107 are not budgeted by the Burgin Independent School District.

See independent auditor's report and accompanying notes to financial statements.

BURGIN INDEPENDENT SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL - SPECIAL REVENUE FUND
FOR THE YEAR ENDED JUNE 30, 2017

	<u>ORIGINAL BUDGET</u>	<u>FINAL BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)</u>
REVENUES:				
State Sources	263,660	263,660	313,595	49,935
Federal Sources	413,776	413,776	375,496	(38,280)
Other Sources	<u>70,725</u>	<u>70,725</u>	<u>66,538</u>	<u>(4,187)</u>
TOTAL REVENUES	<u>748,161</u>	<u>748,161</u>	<u>755,629</u>	<u>7,468</u>
EXPENDITURES:				
Instructional	696,209	696,209	704,631	(8,422)
Student Support Services			0	0
Staff Support Services	6,910	6,910	6,910	0
District Administration			0	0
School Administration			0	0
Business Support Services			0	0
Plant Operation & Maintenance			0	0
Student Transportation	3,471	3,471	2,494	977
Central Office			0	
Community Service Operations	41,571	41,571	41,594	(23)
Facility Acquisition & Construction			0	
Other			0	0
TOTAL EXPENDITURES	<u>748,161</u>	<u>748,161</u>	<u>755,629</u>	<u>(7,468)</u>
NET CHANGE IN FUND BALANCE	0	0	0	0
FUND BALANCES - BEGINNING	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
FUND BALANCES - ENDING	<u><u>0</u></u>	<u><u>0</u></u>	<u><u>0</u></u>	<u><u>0</u></u>

See accompanying auditor's report and accompanying notes to financial statements.

BURGIN INDEPENDENT SCHOOL DISTRICT
 REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF DISTRICT'S PROPORTIONATE SHARE
 OF THE NET PENSION LIABILITY
 TEACHERS' RETIREMENT SYSTEM
 FOR THE YEAR ENDED JUNE 30

	<u>2015</u>	<u>2016</u>	<u>2017</u>
District's proportion of net pension liability	0.00%	0.00%	0.00%
District's proportionate share of the net pension liability	\$ -	-	-
State of Kentucky's share of the net pension liability associated with the district	<u>\$ 12,930,430</u>	<u>15,488,946</u>	<u>19,315,786</u>
TOTAL	<u><u>12,930,430</u></u>	<u><u>15,488,946</u></u>	<u><u>19,315,786</u></u>
District's covered-employee payroll	\$ 2,077,886	2,183,903	2,226,972
District's proportionate share of the net pension liability as a percentage of its covered-payroll	0.00%	0.00%	0.00%
Plan fiduciary net position as a percentage of the total pension liability	45.59%	44.70%	57.04%

Note: Schedule is intended to show information for the last 10 fiscal years. Additional years are not displayed.

BURGIN INDEPENDENT SCHOOL DISTRICT
 REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF DISTRICT'S PROPORTIONATE SHARE
 OF THE NET PENSION LIABILITY
 COUNTY EMPLOYEES RETIREMENT SYSTEM
 FOR THE YEAR ENDED JUNE 30

	<u>2015</u>	<u>2016</u>	<u>2017</u>
District's proportion of net pension liability	0.023568%	0.024138%	0.023730%
District's proportionate share of the net pension liability	\$ 765,000	1,037,859	1,168,375
State of Kentucky's share of the net pension liability associated with the district	-	-	-
TOTAL	<u><u>\$ 765,000</u></u>	<u><u>1,037,859</u></u>	<u><u>1,168,375</u></u>
District's covered-employee payroll	\$ 563,194	567,992	559,439
District's proportionate share of the net pension liability as a percentage of its covered-payroll	135.84%	182.73%	208.85%
Plan fiduciary net position as a percentage of the total pension liability	65.96%	63.46%	55.50%

Note: Schedule is intended to show information for the last 10 fiscal years. Additional years are not displayed.

BURGIN INDEPENDENT SCHOOL DISTRICT
 REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF CONTRIBUTIONS TO THE
 COUNTY EMPLOYEES RETIREMENT SYSTEM
 FOR THE YEAR ENDED JUNE 30

	<u>2015</u>	<u>2016</u>	<u>2017</u>
Contractually required contributions (actuarially determined)	\$ 71,807	\$ 70,545	\$ 78,042
Contributions in relation to the actuarially determined contributions	<u>71,807</u>	<u>70,545</u>	<u>78,042</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered employee payroll	\$ 563,194	\$ 567,992	\$ 559,439
Contributions as a percentage of Covered employee payroll	12.75%	12.42%	13.95%

Note: Schedule is intended to show information for the last 10 fiscal years. Additional years are not displayed.

BURGIN INDEPENDENT SCHOOL DISTRICT
 REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF CONTRIBUTIONS TO THE
 TEACHERS RETIREMENT SYSTEM
 FOR THE YEAR ENDED JUNE 30

	<u>2015</u>	<u>2016</u>	<u>2017</u>
Contractually required contributions (actuarially determined)	\$ 67,439	\$ 89,279	\$ 94,143
Contributions in relation to the actuarially determined contributions	<u>67,439</u>	<u>89,279</u>	<u>94,143</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered employee payroll	\$ 2,077,886	\$ 2,183,603	\$ 2,226,972
Contributions as a percentage of Covered employee payroll	3.04%	3.86%	4.23%

Note: Schedule is intended to show information for the last 10 fiscal years. Additional years are not displayed.

BURGIN INDEPENDENT SCHOOL DISTRICT
 NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF DISTRICT'S PROPORTIONATE SHARE
 OF THE NET PENSION LIABILITY
 FOR THE YEAR ENDED JUNE 30, 2017

TEACHERS' RETIREMENT SYSTEM

NOTE A – CHANGES OF ASSUMPTIONS

The last experience investigation was prepared for the five-year period ending June 30, 2010, and based on the results of an actuarial study and adopted by the board on December 19, 2011.

NOTE B – METHOD AND ASSUMPTIONS USED IN CALCULATIONS OF ACTUARIALLY DETERMINED CONTRIBUTIONS

The actuarially determined total pension liability is calculated as of June 30, two years prior to the end of the fiscal year in which the contributions are reported. The following actuarial methods and assumptions were used to determine the contractually required contributions for the year ended June 30, 2017 reported in that schedule:

Valuation Date	June 30, 2016
Inflation	3.50 percent
Salary Increases	3.50 – 8.20 percent
Long-Term Investment Rate of Return, Net of Pension Plan Investment Expense, Including Inflation	7.50 Percent
Municipal Bond Index Rate:	
Prior Measurement Date	3.82 Percent
Measurement Date	3.01 Percent
Year FNP is Projected to be Depleted	2039
Single Equivalent Interest Rate, Net of Pension Plan Investment Expense, Including Inflation:	
Prior Measurement Date	4.88 percent
Measurement Date	4.20 Percent
Post-Retirement Benefit Increases	1.50% annually

BURGIN INDEPENDENT SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF DISTRICT'S PROPORTIONATE SHARE
OF THE NET PENSION LIABILITY
FOR THE YEAR ENDED JUNE 30, 2017

COUNTY EMPLOYEES RETIREMENT SYSTEM

NOTE A – CHANGES OF ASSUMPTIONS

The last experience investigation was prepared for the five-year period ending June 30, 2013, and based on the results of an actuarial study and adopted by the board.

NOTE B – METHOD AND ASSUMPTIONS USED IN CALCULATIONS OF ACTUARIALLY DETERMINED CONTRIBUTIONS

The actuarially determined contribution rates in the schedule are determined on a biennial basis beginning with the fiscal years ended 2014 and 2015, determined as of July 1, 2013. The amortization period of the unfunded liability has been reset as of July 1, 2013 to a closed 30-year period. The following actuarial methods and assumptions were used to determine the rates reported in that schedule:

Valuation Date	June 30, 2016
Actuarial Cost Method	Entry age
Amortization Method	Level percentage of payroll, closed
Remaining Amortization Period	27 years
Asset Valuation Method	5-year smoothed market
Inflation	3.25 percent
Salary Increase	4.0 percent, average, including inflation
Investment Rate of Return	7.5 percent, net of pension plan investment expense, including inflation

**OTHER SUPPLEMENTARY
INFORMATION**

BURGIN INDEPENDENT SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 NON-MAJOR GOVERNMENTAL FUNDS
 JUNE 30, 2017

	DEBT SERVICE FUND	SEEK CAPITAL OUTLAY FUND	CONSTRUCTION FUND	DISTRICT ACTIVITY FUND	TOTAL NON-MAJOR GOVERNMENT FUNDS
ASSETS:					
Cash & Cash Equivalents		53,853		40,804	94,657
TOTAL ASSETS	0	53,853	0	40,804	94,657
LIABILITIES AND FUND BALANCES:					
Liabilities:					
Accounts Payable					0
Total Liabilities	0	0	0	0	0
Fund Balances:					
Restricted for:					
School Activities				40,804	40,804
SFCC Escrow		53,853			53,853
Unassigned Fund Balance					0
Total Fund Balances	0	53,853	0	40,804	94,657
TOTAL LIABILITIES AND FUND BALANCES	0	53,853	0	40,804	94,657

See independent auditor's report and accompanying notes to financial statements.

BURGIN INDEPENDENT SCHOOL DISTRICT
 COMBINING STATEMENT OF REVENUES AND EXPENDITURES AND CHANGES IN FUND BALANCES
 NON-MAJOR GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED JUNE 30, 2017

	DEBT SERVICE FUND	SEEK CAPITAL OUTLAY FUND	CONSTRUCTION FUND	DISTRICT ACTIVITY FUND	TOTAL NON-MAJOR GOVERNMENT FUNDS
REVENUES:					
Intergovernmental - State	28,791	45,329			74,120
Other Sources				27,549	27,549
TOTAL REVENUES	28,791	45,329	0	27,549	101,669
EXPENDITURES:					
Instructional				11,371	11,371
Facilities Acquisition & Construction			166,070		166,070
Debt Service:					
Principal	243,805				243,805
Interest	132,880				132,880
TOTAL EXPENDITURES	376,685	0	166,070	11,371	554,126
EXCESS(DEFICIT) REVENUES OVER EXPENDITURES	(347,894)	45,329	(166,070)	16,178	(452,457)
OTHER FINANCING SOURCES(USES):					
Operating Transfers In	347,894	3,117	166,070		517,081
Operating Transfers Out		(45,249)			(45,249)
TOTAL OTHER FINANCING SOURCES(USES)	347,894	(42,132)	166,070	0	471,832
NET CHANGE IN FUND BALANCES	0	3,197	0	16,178	19,375
FUND BALANCES - BEGINNING		50,656	0	24,626	75,282
FUND BALANCES - ENDING	0	53,853	0	40,804	94,657

See independent auditor's report and accompanying notes to financial statements.

BURGIN INDEPENDENT SCHOOL DISTRICT
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND FUND BALANCES
 AGENCY FUNDS
 FOR THE YEAR ENDED JUNE 30, 2017

	<u>FUND BALANCE JULY 1, 2016</u>	<u>REVENUES</u>	<u>EXPENDITURES</u>	<u>FUND BALANCE JUNE 30, 2017</u>
Burgin School Activity Funds	<u>68,429</u>	<u>191,344</u>	<u>191,042</u>	<u>68,731</u>
Total Activity Funds (Due to Student Groups)	<u><u>68,429</u></u>	<u><u>191,344</u></u>	<u><u>191,042</u></u>	<u><u>68,731</u></u>

See independent accountant's report and accompanying notes to financial statements.

BURGIN INDEPENDENT SCHOOL DISTRICT
STATEMENT OF RECEIPTS, DISBURSEMENTS AND FUND BALANCE
SCHOOL ACTIVITY FUNDS

FOR THE YEAR ENDED JUNE 30, 2017

	CASH		CASH		ACCOUNTS	ACCOUNTS	FUND
	BALANCE	RECEIPTS	DISBURSEMENTS	BALANCE	RECEIVABLE	PAYABLE	BALANCE
	<u>JULY 1, 2016</u>			<u>JUNE 30, 2017</u>	<u>JUNE 30, 2017</u>	<u>JUNE 30, 2017</u>	<u>JUNE 30, 2017</u>
Principals Fund	759	732	949	542			542
AP Testing	0	558	558	0			0
A.R.T.S. Program	300	0	100	200			200
PTO Donations	80	350	216	214			214
PTO Donations Bus	40	0	0	40			40
Student Coke	41	61	0	102			102
Faculty Coke	30	61	91	0			0
Technology/Handbook Fines	0	180	0	180			180
Student Pencil	50	0	0	50			50
Master Lock Fund	0	70	50	20			20
Parking Tags	0	540	540	0			0
School Pictures	2,951	2,366	3,697	1,620			1,620
Flower Fund	21	106	127	0			0
WHAS Fundraiser	0	261	261	0			0
Donations	36	0	0	36			36
Burgin Family	1,008	5,464	5,691	781			781
FRYSC Backpack Snacks	1,023	4,670	4,166	1,527			1,527
Tackett Class	0	388	366	22			22
Chaimberlain Class	0	0	0	0			0
Hudgins Class	81	227	235	73			73
Hall Class	12	51	50	13			13
Berry Class	12	1,128	1,140	0			0
Renner Class	154	2,541	2,358	337			337
Lindsey Class	0	278	278	0			0
James Class	0	1,254	1,218	36			36
Harmon Class	179	781	745	215			215
Henson Class	152	192	236	108			108
Boyd Class	6	1,186	1,167	25			25
Barlow Class	0	0	0	0			0
N. Short Class	502	579	185	896			896
Terrell Class	0	214	214	0			0
Wilson Class	8	1,003	977	34			34
Robinson Class	102	0	0	102			102
Shewmaker Class	34	963	989	8			8
Book Rental Fee	0	2,454	2,454	0			0
Yates Class	0	1,040	1,040	0			0
High School Fee	0	2,556	2,556	0			0
Student Laptop Purchase	0	13,740	13,740	0			0
Middle School Fee	0	3,955	3,955	0			0
Primary Fee	0	4,344	4,344	0			0
General Athletic	7,234	22,972	28,290	1,916			1,916
BG Conference	1,555	0	148	1,407			1,407
Concessions	3,956	11,409	10,714	4,651			4,651
Little League Basketball	1,054	2,835	2,549	1,340			1,340
Banners/Baseball	0	1,960	1,960	0			0
HS Boys Basketball	3,811	5,008	6,755	2,064			2,064
HSB BKB Feeback Scholarship	0	1,000	1,000	0			0
HS Girls Basketball	2,817	5,392	4,523	3,686			3,686
MS Boys Basketball	485	934	75	1,344			1,344
MS Girls Basketball	1,505	1,918	152	3,271			3,271
HS Baseball	1,245	2,250	2,175	1,320			1,320
Track Team	4,559	1,761	3,763	2,557			2,557
Cross Country	2,389	1,647	1,394	2,642			2,642
MS Cross Country	1,407	300	636	1,071			1,071
Softball	762	5,768	4,123	2,407			2,407

MS Softball	560	0	0	560			560
MS Cheerleading	3,854	2,785	5,895	744			744
MS Cheer/Competition	1,326	2,801	4,127	0			0
HS Cheerleading	1,035	4,266	4,292	1,009			1,009
MS Baseball	1,087	1,524	1,727	884			884
Volleyball	267	550	357	460			460
Fishing Team	772	4,780	3,215	2,337			2,337
FCCLA	251	3,124	3,103	272			272
Greenhouse	329	2,274	249	2,354			2,354
Science Club	167	382	184	365			365
Spanish Club	201	613	664	150			150
Speech & Drama Club	0	0	0	0			0
Student Council	38	1,400	1,370	68			68
MS Comm Changers	261	0	220	41			41
STLP Club	149	0	0	149			149
Pep Club	302	0	175	127			127
HS Art Club	0	100	100	0			0
MS Art Club	0	190	190	0			0
Art Club	379	0	250	129			129
T.A.T.U. Club	107	0	0	107			107
Cooking Club	35	0	35	0			0
Pinterest Club	25	0	25	0			0
Hiking Club	70	0	0	70			70
Y-Club	979	6,314	5,715	1,578			1,578
MS Y-Club	0	6,667	5,521	1,146			1,146
MS Furry Friends Club	0	444	444	0			0
T.A.S.A.	30	0	0	30			30
FFA	0	2,436	2,436	0			0
Good News club	929	1,658	1,488	1,099			1,099
Rugby Club	0	154	0	154			154
MS Clubs	8	0	0	8			8
Natl Honor Society	567	737	241	1,063			1,063
MS Academic Team	87	0	0	87			87
Elementary Academy	474	0	0	474			474
Gifted/Talented 9-12	564	0	0	564			564
Elementary Music	511	2,408	2,909	10			10
Book Drive	38	0	0	38			38
Library Coffee Shop	19	0	0	19			19
Book Fair	0	7,498	7,482	16			16
Yearbook	3,046	3,045	3,170	2,921			2,921
Music Fundraiser	336	8,265	8,311	290			290
Multimedia Fundraising	68	0	0	68			68
Family Consumer	71	0	70	1			1
PE Fundraising	2,520	3,055	1,798	3,777			3,777
Seniors 2017	1,254	1,774	3,028	0			0
Seniors 2018	2,616	2,337	2,507	2,446			2,446
Seniors 2019	2,604	1,412	0	4,016			4,016
Seniors 2020	59	1,406	500	965			965
Seniors 2021	0	425	4	421			421
Seniors 2022	50	0	0	50			50
Fieldtrip Bus	0	8,081	8,081	0			0
Elem Misc FTP	0	546	546	0			0
HS Misc Field Trips	5	2,424	2,187	242			242
8th Grade Field Trips	19	4,915	4,934	0			0
MS Misc Field Trips	0	4,767	4,202	565			565
Total All Funds	68,429	215,004	214,702	68,731	0	0	68,731
Interfund Transfers	0	(23,660)	(23,660)	0	0	0	0
Total	68,429	191,344	191,042	68,731	0	0	68,731

BURGIN INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF PRIOR YEAR AUDIT FINDINGS
JUNE 30, 2017

There were no prior year audit findings.

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October 27, 2017

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

Members of the Board of Education
Burgin Independent School District
140 Burgin-Danville Road
Burgin, KY 40310

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and *Appendix I to the Independent Auditor's Contract – Audit Extension Request*, *Appendix II to the Independent Auditor's Contract – Instructions for Submission of the Audit Contract, Audit Acceptance Statement, AFR and Balance Sheet, Statement of Certification, and Audit Report*, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Burgin Independent School District, as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise Burgin Independent School District's basic financial statements, and have issued our report thereon dated October 27, 2017.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Burgin Independent School District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Burgin Independent School District's internal control. Accordingly, we do not express an opinion on the effectiveness of the Burgin Independent School District's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Burgin Independent School District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*. In addition, the results of our tests disclosed no material instances of noncompliance of specific state statutes or regulation identified in *Appendix II of the Independent Auditor's Contract – State Audit Requirements*.

We noted certain matters that we reported to management of Burgin Independent School District in a separate letter dated October 27, 2017.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Sincerely,

White and Company, P.S.C.

Certified Public Accountants

WHITE AND COMPANY, P.S.C.
Certified Public Accountants
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Charles M. White, CPA
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Stephanie A. Abell, CPA

Email charles.white@whitecpas.com

October 27, 2017

MANAGEMENT LETTER

Members of the Board of Education
Burgin Independent School District
140 Burgin-Danville Road
Burgin, KY 40310

In planning and performing our audit of the financial statements of Burgin Independent School District for the year ended June 30, 2017, we considered its internal control in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements. Our professional standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. We feel that the District's financial statements are free of material misstatement. However, we offer the following suggestions that we feel will strengthen your organization's internal control structure.

In addition, we have reviewed recommendations made by the prior auditors in the audit report for the year ended June 30, 2017, and we have reviewed management's responses to those recommendations. Our findings based upon those prior year recommendations are also summarized below.

2016 – 01 Prior Year Recommendation:

During the audit of the school activity fund disbursements, there was an instance where a disbursement was not supported by an invoice. In this instance, a teacher failed to provide the invoice for the purchase to the school's bookkeeper to document the expenditure incurred and reconcile the amount spent with the invoice. In instances where funds need to be advanced, such as for meals on a field trip, teachers and sponsors should be advised that it is mandatory to return an invoice and any remaining funds to school the next day, and returned funds combined with the funds spent must reconcile to the amount of funds advanced.

Current Year Finding:

No instances were noted where the proper documentation was not returned with the remaining funds, which allowed funds expended and funds returned to be properly reconciled to the amount advanced.

2017 – 01 Current Year Recommendation

During the audit of the school activity fund, there were multiple instances where club sponsors expended funds without completing a properly approved purchase order. The sponsors turned in the invoices related to the expenditures before they prepared a purchase order for approval. Accounting procedures for school activity funds require that all purchases be supported by a properly approved purchase order prior to the commitment of funds.

Management Response:

We will take measures to ensure that purchase orders are completed and approved prior to expending funds from the school activity accounts.

We would like to offer our assistance throughout the year if and when new or unusual situations arise. Our awareness of new developments when they occur would help to ensure that the District is complying with requirements such as those mentioned above.

We will review the status of this comment during our next audit engagement. We have already discussed this comment and suggestion with various District personnel, and we will be pleased to perform any additional study of this matter or to assist you in implementing the recommendation.

Sincerely,

White and Company, P.S.C.

Certified Public Accountants

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Email charles.white@whitecpas.com

October 27, 2017

Members of the Board of Education
Burgin Independent School District
140 Burgin-Danville Road
Burgin, KY 40310

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Burgin Independent School District for the year ended June 30, 2017. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards (and, if applicable, Government Auditing Standards and Uniformed Guidance), as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated April 12, 2017. Professional standards also require that we communicate to you the following information related to our audit.

Significant Auditing Findings:

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting polices used by Burgin Independent School District are described in Note A to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 2017. We noted no transactions entered into by the governmental unit during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimate affecting the financial statements was:

Management's estimate of the sick leave liability is based on current pay rates and those currently eligible for retirement. We evaluated the key factors and assumptions used to develop the sick leave liability in determining that it is reasonable in relation to the financial statements taken as a whole.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Management had corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to each opinion unit's financial statements taken as a whole.

Disagreements with Management

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated October 27, 2017.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to Burgin Independent School District's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were not such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as Burgin Independent School District's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Other Matters

We applied certain limited procedures to management's discussion and analysis and budgetary comparison information, which are required supplementary information (RSI) that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

We were not engaged to report on the budgetary comparison information on pages 43 and 44, or on the schedules of the district's proportionate share of net pension liabilities on pages 45 and 46, or on the schedules of contributions to the County Employees Retirement Plan and the Teachers Retirement System on pages 47 and 48, which accompany the financial statements but are not RSI. We did not audit or perform other procedures on this information and we do not express an opinion or provide assurance on it.

Restriction on Use

This information is intended solely for the use of Members of the Board of Education and management of Burgin Independent School District and is not intended to be, and should not be, used by anyone other than these specified parties.

Sincerely,

White and Company, P.S.C.

Certified Public Accountants